



THE COMMONWEALTH OF MASSACHUSETTS

**DEPARTMENT OF
TELECOMMUNICATIONS & ENERGY**

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August 3, 2006

VIA EMAIL AND USPS

Robert Werlin, Esq.
Keegan Werlin LLP
265 Franklin Street
Boston MA 02110-3313

RE: Petition of NSTAR Gas Company for review and approval of a Fixed Price
Option Pilot Program, D.T.E. 06-66

Dear Attorney Werlin:

Enclosed please find the first set of information requests issued by the Department of Telecommunications and Energy in the above-captioned matter. Please submit NSTAR Gas Company's responses to the Department on or before 5:00 p.m., Thursday, August 17, 2006. If you have any questions regarding the information requests, please contact me at 617-305-3561.

Sincerely,

/s/
Carol Pieper
Hearing Officer

Encs.

cc: D.T.E. 06-66 Service List (w/encs.)

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**FIRST SET OF INFORMATION REQUESTS OF THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
TO NSTAR GAS COMPANY, D.T.E. 06-66**

Pursuant to 220 C.M.R. § 1.06(6)(c), the Department of Telecommunications and Energy (“Department”) submits to NSTAR Gas Company (“NSTAR”) the following Information Requests.

Instructions

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department in this proceeding.

1. Each request should be answered in writing on a separate, three-hole punch page with a recitation of the request, a reference to the request number, the docket number of the case, and the name of the person responsible for the answer.
2. Do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
3. These requests shall be deemed continuing so as to require further supplemental responses if NSTAR or its witnesses receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term “provide complete and detailed documentation” means:

Provide all data, assumptions, and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports, and planning documents from which data, estimates, or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting workpapers.
5. The term “document” is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained, and all copies of such documents that bear notations or other markings that differentiate such copies from the original.

6. If any one of these requests is ambiguous, notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. Please file one copy of the responses with Mary L. Cottrell, Secretary of the Department; also submit two (2) copies of the responses to Carol Pieper, Hearing Officer, one (1) copy of the responses to Andreas Thanos, Assistant Director, Gas Division, one (1) copy of the responses to Kenneth Dell Orto, Analyst, Gas Division, and one (1) copy of the responses to Elizabeth Jackson, Analyst, Gas Division.
8. In addition to filings, all non-proprietary responses should be submitted by e-mail to dte.efiling@state.ma.us and to the e-mail address of any party required to be served.
9. Responses are due on or before Thursday, August 17, 2006.

Requests

DTE-1-1 Refer to page 2 of Exh. NSTAR-3.

- a) Define the term “Implied Volatility” and the meaning of the data provided in this column.
- b) How were the percentages listed in the Implied Volatility column calculated?
- c) How was the range of Non-Participant Gains and Losses calculated?

Please provide supporting worksheet showing all calculations.

DTE 1-2 Refer to page 2 of Exh. NSTAR-3.

- a) What is the underlying distribution selected by the Company while calculating the displayed price distribution?
- b) What confidence level did the Company select in constructing the price distribution?
- c) Define the term “Time” and the meaning of the data provided in this column.

DTE 1-3 Refer to Exhibit NSTAR-3. What is the assumed customer participation rate for each of the rate classes eligible for the Fixed Price Option (“FPO”) Pilot

Program and what is the basis for establishing the participation rates, e.g., percentage of customers, percentage of average winter load, percentage of peak winter load, etc?

- DTE 1-4 Will participants in the FPO Pilot Program who have outstanding unpaid balances from a previous winter season be allowed to re-enroll in the FPO program for the next season?
- DTE 1-5 Refer to page 2 of the Company's Explanatory Statement. Has the Company created any customer information-related promotional materials for the FPO Pilot Program? If so, please provide these materials. If the materials are not yet available, please discuss when will such materials become available, and provide the billing month that the materials will be included in outgoing Company bills.
- DTE 1-6 Refer to footnote 2 on page 3 of the Company's Explanatory Statement. Please explain in detail the rate by which prices are assumed to rise and fall. Also, please provide a detailed description/explanation of the Fisher Black formula mentioned here, and all inputs used by the Company in applying the formula. Also, please discuss whether the Company's selected ± 9 percent is a common variation in similar programs offered by other LDCs in the region or country.
- DTE 1-7 Refer to footnote 2 on page 3 of the Company's Explanatory Statement. How many standard deviations from normal volumes is nine percent?
- DTE 1-8 Refer to the final sentence of the second full paragraph on page 3 of the Company's Explanatory Statement. Where it is indicated that "[t]he price may be adjusted over time" was it the Company's intent to write "[t]he premium may be adjusted over time?"
- DTE 1-9 Please refer to G.L. c. 164, § 69I, the Department is required to ensure "a necessary energy supply for the Commonwealth with a minimum impact on the environment at **the lowest possible cost**" (emphasis added). Please discuss, in detail, how by approving the Company's proposal the Department ensures energy supply at the lowest possible cost.

Dated: August 3, 2006